NORTHPOINT ENERGY SOLUTIONS INC.

A SUBSIDIARY OF SASKPOWER | **FINANCIAL STATEMENTS 2007**

REPORT OF MANAGEMENT

The financial statements of NorthPoint Energy Solutions Inc. (NorthPoint) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 8, 2008.

Management maintains appropriate systems of internal control which provide reasonable assurance that NorthPoint's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report are approved by the Board of Directors. The internal and external auditors have full and open access to the Board of Directors, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Grant Ring, CMA
Acting Chief Executive Officer
February 8, 2008

Patricia Hall, CA
Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of Northpoint Energy Solutions Inc. as at December 31, 2007, and the statements of income and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 8, 2008

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(in thousands)

For the year ended December 31	2007	2006
Revenue		
Electricity trading (*Note 4*)	**$ 124,483**	$ 118,452
SaskPower services	**7,676**	6,708
Other	**1,127**	948
Total revenue	**133,286**	126,108
Expense		
Electricity trading	**114,111**	102,960
Electricity trading market value losses (*Note 8*)	**129**	–
Administration	**6,123**	5,500
Total expense	**120,363**	108,460
Net income	**12,923**	17,648
Other comprehensive income	**–**	–
Total comprehensive income	**$ 12,923**	$ 17,648

See accompanying notes

STATEMENT OF RETAINED EARNINGS

(in thousands)

For the year ended December 31	2007	2006
Retained earnings, beginning of year	**$ 4,972**	$ 3,208
Change in accounting policy (*Note 3*)	**127**	–
Net income	**12,923**	17,648
Dividends	**(11,631)**	(15,884)
Retained earnings, end of year	**$ 6,391**	$ 4,972

See accompanying notes

STATEMENT OF FINANCIAL POSITION

(in thousands)

As at December 31	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	**$ 25,480**	$ 26,264
Accounts receivable	**13,296**	15,527
Prepaid expenses and deposits	**83**	324
Due from SaskPower	**–**	895
Derivative financial instruments asset (*Note 8*)	**132**	–
Total assets	**$ 38,991**	$ 43,010
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 10,181**	$ 12,154
Due to SaskPower	**654**	–
Dividends payable	**11,631**	15,884
Derivative financial instruments liability (*Note 8*)	**134**	–
Total liabilities	**22,600**	28,038
Equity		
Share capital (*Note 5*)	**10,000**	10,000
Retained earnings	**6,391**	4,972
Total equity	**16,391**	14,972
Total liabilities and equity	**$ 38,991**	$ 43,010

Commitments (*Note 9*)

See accompanying notes

On behalf of the Board:

Joel Teal
Chair

Bill Wheatley
Vice-chair

STATEMENT OF CASH FLOWS

(in thousands)

For the year ended December 31	2007	2006
Operating activities		
Net income	**$ 12,923**	$ 17,648
Add items not involving cash:		
Electricity trading market value losses	**129**	–
Net change in non-cash working capital:		
Accounts receivable	**2,231**	(3,748)
Prepaid expenses and deposits	**241**	2,917
Due to/from SaskPower	**1,549**	1,350
Accounts payable and accrued liabilities	**(1,973)**	2,679
	2,048	3,198
Cash provided by operating activities	**15,100**	20,846
Financing activities		
Dividends paid	**(15,884)**	(11,060)
Cash used in financing activities	**(15,884)**	(11,060)
(Decrease) increase in cash	**(784)**	9,786
Cash and cash equivalents, beginning of year	**26,264**	16,478
Cash and cash equivalents, end of year	**$ 25,480**	$ 26,264
Supplemental information:		
Cash paid for capital tax	**$ 6**	$ 6

1. STATUS OF THE CORPORATION

NorthPoint Energy Solutions Inc. (NorthPoint) was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective October 17, 2001, and began operations November 1, 2001. NorthPoint is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower). Accordingly, the financial results of NorthPoint are included in the consolidated financial statements of SaskPower.

NorthPoint has a service agreement with SaskPower authorizing NorthPoint to perform electricity trading functions related to the generation assets of SaskPower, to coordinate utility generation output, and to manage SaskPower's natural gas supplies for its natural gas-fired power plants. SaskPower services revenue provides approximately 6% (2006 – 5%) of NorthPoint's total revenue.

As a subsidiary of a provincial Crown corporation, NorthPoint is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies. Actual results could differ from those estimates, which may impact actual results reported in future periods.

(b) Revenue recognition

NorthPoint engages in wholesale electricity trading transactions which do not relate to the generation assets of SaskPower. NorthPoint acts as a principal in these electricity trading transactions, taking title to the electricity purchased for resale, and assuming the risks and rewards of ownership. Electricity trading revenue is recorded on a gross basis as delivered. Electricity trading revenue not billed by year-end is accrued based upon estimated electricity delivered.

NorthPoint provides generation and load management services for SaskPower by coordinating the utility generation output. This revenue is recognized as it is earned and is included in SaskPower services revenue.

NorthPoint acts as an agent of SaskPower and is responsible for the performance of electricity trading functions related to the generation assets of SaskPower. NorthPoint receives commissions for the performance of this service. Revenue from electricity sales from SaskPower generation assets is not recorded on a gross basis, rather commission revenue is recognized as the electricity trades are conducted and is included in SaskPower services revenue.

NorthPoint provides gas management services for SaskPower by coordinating and balancing SaskPower's natural gas requirements, managing injections to and withdrawals from SaskPower's natural gas storage assets, and managing natural gas price risk with physical and financial hedging activity. NorthPoint acts as an agent of SaskPower and is responsible for the performance of gas purchasing functions related to the natural gas storage assets of SaskPower. Costs of gas purchases are not recorded by NorthPoint, as SaskPower continues to be responsible for all financial obligations relating to natural gas purchases and hedging activity. Gas management revenue is recognized as it is earned and is included in SaskPower services revenue.

(c) Foreign currency translation

Revenue and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the statement of income in the current period.

(d) Cash and cash equivalents

Cash and cash equivalents includes short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(e) Financial instruments

NorthPoint classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities *(Note 8)*. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the statement of income in the line item to which the financial instrument is related. Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognized as other comprehensive income. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments are utilized by NorthPoint as part of its electricity trading activities. All derivative contracts are recognized as a financial asset or a financial liability on the trade date. NorthPoint has chosen not to designate its derivative instruments as hedges and as such all derivative financial instruments are classified as held-for-trading and recorded at fair value on the statement of financial position with subsequent changes in fair value recognized in the statement of income.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or ask prices, as appropriate, in the active market for that instrument to which NorthPoint has immediate access. When bid or ask prices are unavailable, NorthPoint uses the closing price of the most recent transaction of that instrument. In the absence of an active market, NorthPoint determines fair value based on internal and external valuation models. Fair values determined using valuation models require the use of assumptions including market volatility and discount factors.

For transitional purposes, NorthPoint has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. As at December 31, 2007, NorthPoint does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued.

(f) Employees' future benefits

NorthPoint provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. Under the defined contribution pension plan, NorthPoint's obligations are limited to contributions made for current service. When made, these contributions are charged to income. Defined benefit pension plan benefits are provided by SaskPower to eligible employees.

NorthPoint provides defined contribution and defined benefit severance plans for substantially all employees. NorthPoint's obligations are limited to making regular contributions to SaskPower in respect of severance plan benefits.

NorthPoint provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. NorthPoint's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

(g) Future accounting policy changes

Financial instruments – disclosure and presentation
In December 2006, the Accounting Standards Board (AcSB) issued two new Canadian Institute of Chartered Accountants (CICA) handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." NorthPoint will be adopting these new sections effective January 1, 2008. The impact of these new standards on NorthPoint's financial statements is currently being assessed.

Capital disclosures
In December 2006, the AcSB also issued Section 1535, "Capital Disclosures." This standard required disclosure regarding what NorthPoint defines as capital and its objectives, policy and processes for managing capital. This section becomes mandatory for adoption effective January 1, 2008. The impact of this new standard on NorthPoint's financial statements is currently being assessed.

International financial reporting standards
In 2006, the AcSB adopted its Strategic Plan, which includes a decision to converge Canadian accounting standards with IFRS. The AcSB has indicated that Canadian companies will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. The impact of these new standards on NorthPoint's financial statements is currently being assessed.

3. CHANGE IN ACCOUNTING POLICY (in thousands)

Financial instruments
Effective January 1, 2007, NorthPoint adopted the new CICA Section 1530, "Comprehensive Income;" Section 3251, "Equity;" Section 3855, "Financial Instruments – Recognition and Measurement;" Section 3861, "Financial Instruments – Disclosure and Presentation;" and Section 3865, "Hedges." The following are the impacts of implementing these new standards in 2007.

NorthPoint has classified all its financial instruments into one of the following categories: *held-for-trading*; *held-to-maturity*; *loans and receivables*; *available-for-sale*; and *other liabilities*.

Derivative financial instruments assets and liabilities are classified as *held-for-trading* and recorded at fair value on the statement of financial position. The derivative instruments include forward electricity contracts and contracts for differences. The change in the market value (gain or loss) of the derivatives is recorded in net income.

Cash and cash equivalents are classified as *held-for-trading* and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and due from SaskPower are classified as *loans and receivables* and accounts payable and accrued liabilities and due to SaskPower are classified as *other liabilities*.

NorthPoint does not have any financial instruments classified as *held-to-maturity* or *available-for-sale* either upon adoption of the new standards on January 1, 2007, or at December 31, 2007.

Upon the adoption of the new standards, the impact of applying this change in accounting policy effective January 1, 2007, was as follows:

Adjustment to opening retained earnings as at January 1, 2007:

Financial statement category	Description of adjustment		Increase
Derivative financial instruments asset	- market value adjustment	$	255
Total assets		$	255
Derivative financial instruments liability	- market value adjustment	$	128
Retained earnings, beginning of year	- net adjustment		127
Total liabilities and equity		$	255

In addition, this change in accounting policy has decreased net income in 2007 by $129 as a result of a change in market value of electricity trading derivatives.

Accounting changes

Effective January 1, 2007, NorthPoint adopted the new CICA Section 1506, "Accounting Changes," in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of Section 1506 had no material impact on these financial statements.

4. ELECTRICITY TRADING REVENUE BY GEOGRAPHIC LOCATION (in thousands)

		2007		2006
Canada	$	**44,270**	$	67,419
United States		**80,213**		51,033
Electricity trading revenue	$	**124,483**	$	118,452

Revenue is attributable to countries based on the location of counterparties.

5. SHARE CAPITAL (in thousands)

	#		2007	#		2006
Authorized						
Unlimited Class A non-cumulative, voting common shares						
Issued						
Class A						
Issued and outstanding, beginning of year	**10,000**	$	**10,000**	10,000	$	10,000
Issued during the year for cash	**–**		**–**	–		–
Issued and outstanding, end of year	**10,000**	$	**10,000**	10,000	$	10,000

All shares are held by the parent corporation, SaskPower.

6. EMPLOYEES' FUTURE BENEFITS (in thousands)

NorthPoint contributed $506 (2006 - $457) to the plans described in *Note 2(f)*.

7. RELATED PARTY TRANSACTIONS (in thousands)

Included in these financial statements are various related party transactions, substantially all of which are with SaskPower. NorthPoint also has a variety of other transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to NorthPoint by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

		2007		2006
SaskPower services revenue	$	**7,676**	$	6,708
Electricity trading expense		**338**		39
Administration expense		**4,844**		4,468
Due from SaskPower		**–**		895
Due to SaskPower		**654**		–
Dividends payable		**11,631**		15,884

In addition, NorthPoint pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

8. FINANCIAL RISK MANAGEMENT (in thousands)

Foreign exchange risk

By virtue of its operations, NorthPoint is exposed to changes in the United States/Canadian dollar exchange rate. NorthPoint purchases electricity from and sells electricity to the United States market and must recognize translation gains and losses based on the exchange rate in effect at the transaction date. NorthPoint does not utilize financial instruments to manage its foreign exchange risk.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of counter-parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For the year ended December 31, 2007, sales to four significant customers comprised 75% (2006 – three significant customers comprised 77%) of electricity trading revenue. At year-end, receivables from three customers comprised 48% (2006 – three customers comprised 84%) of total outstanding receivables. These amounts have been subsequently received.

NorthPoint is a market participant in several independent regional transmission organizations (RTOs). Acting independently and neutrally, RTOs manage transmission systems and coordinate movement of wholesale electricity in specified geographic areas, and serve as a clearinghouse for market participants' transactions. Since RTOs are designed to be revenue neutral, if a market participant in the RTO defaults, the cost of this loss is shared among the remaining market participants. Costs of $37 (2006 – nil) relating to defaults of other market participants in RTOs in which NorthPoint participates are included in electricity trading expense.

NorthPoint maintains strict credit policies and limits in respect to counterparties, including RTOs.

Commodity price risk

NorthPoint is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions.

Financial instruments

The following summarizes the carrying amounts and fair values of NorthPoint's financial instruments at year-end:

At December 31		**2007**		2006	
		Asset (liability)		Asset (liability)	
Financial instrument	**Classification**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT[1]	**$ 25,480**	**$ 25,480**	$ 26,264	$ 26,264
Accounts receivable	L&R[2]	**13,296**	**13,296**	15,527	15,527
Due from SaskPower	L&R[2]	**–**	**–**	895	895
Financial liabilities					
Accounts payable and accrued liabilities	OL[3]	**$ (10,181)**	**$ (10,181)**	$ (12,154)	$ (12,154)
Due to SaskPower	OL[3]	**(654)**	**(654)**	–	–

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. NorthPoint has not classified any of its financial instruments as at December 31, 2007, as either held-to-maturity or available-for-sale.

These financial instruments approximate fair value due to the short period to maturity.

Derivative financial instruments

The following summarizes the market value gains and losses on NorthPoint's electricity trading derivative financial instruments at year-end:

	December 31, 2007		January 1, 2007		Market value
	Asset	Liability	Asset	Liability	gains (losses)
Electricity trading (HFT[1])					
Forwards	$ 91	$ (134)	$ 136	$ (128)	$ (51)
Contracts for differences	41	–	119	–	(78)
Derivative financial instruments	$ 132	$ (134)	$ 255	$ (128)	$ (129)

1. HFT – held-for-trading.

Fair values for derivative financial instruments, including forward electricity contracts and contracts for differences, are determined by valuing at year-end market prices.

9. COMMITMENTS (in thousands)

At year-end, NorthPoint had commitments for electricity purchases of $4,502 (2006 - $3,042) and electricity sales of $4,945 (2006 - $5,416) relating to 2008. Electricity purchases include $4,502 (2006 - $3,042) and electricity sales include $1,301 (2006 - $727) of transactions denominated in U.S. dollars. These contracts are considered derivative financial instruments, and changes in fair value are included in net income.

NorthPoint has issued letters of credit in the amount of $250 (2006 - $250).

10. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

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NorthPoint
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